

## Development Strategies for Remote or Declining Rural Communities

- Is your community losing more population from outmigration than it is gaining from new residents moving in?
  - Is your community located a long distance from metropolitan areas or larger trade centers?
- If so, these development strategies may be worth considering.

Although rural America as a whole is gaining population, many rural communities face special problems due to population loss through outmigration. Net outmigration occurs when more people move out of a community than move in. Net outmigration is especially problematic in the Midwest and Great Plains regions, where the economy is highly dependent on farming. But, it can be a problem in any region.

Outmigration creates special problems because of a shrinking population base. It becomes harder for businesses to stay alive, and the sight of empty storefronts is common in many rural towns. Services become harder to finance, since costs are spread over fewer people. But even when not declining, small size and long distances from urban centers may make it hard for rural communities to obtain specialized health care and other services, and limit the number of jobs within commuting distance.

No development strategy is guaranteed to work equally well for all communities. But the following ideas may be especially worth considering by remote communities and those facing population loss and outmigration.

### ***Enhance Local Assets***

Every rural community has distinctive assets that can be the basis for further development. Some may be obvious, such as an outstanding natural feature that is an attraction to visitors, a college or regional hospital whose staff members bring valuable specialized skills to the community, or an abundant supply of timber or other natural resources. But many other assets are often neglected. These might be a rich community life that can provide leadership and organization to undertake development, a skilled labor force, an abundance of entrepreneurial spirit, or an ethnic or crafting heritage.

Every community can benefit by evaluating its assets. Then, by taking steps to enhance and use these assets, communities can build a basis from which additional development can occur. In fact, the evaluation is so important that it should be considered as a prerequisite before any other steps are taken.

### ***Stop Dollar Leaks from Your Economy***

Communities that are too small to serve as regional trade centers often find their workers' earnings "leaking" out to other areas. Dollar leaks occur when workers shop outside the local community or when businesses purchase goods and services from larger regional suppliers. One of the first steps a community can take is to identify where its dollars are going and why, then take actions to close the leaks. What goods and services are most often purchased outside the community? Is there a local supplier who could meet these needs? If so, what would it take for more local buying to occur? If not, is there sufficient demand for these goods and services to support a new, local business?

### ***Build a Base of Export Businesses***

Just as the United States has a foreign trade balance, so communities have net trade balances--the difference between the amount of local products they sell and the products they import from outside. Communities that buy more non-locally than they do locally have negative trade balances and their economies cannot survive for long. Plugging leaks can slow the hemorrhage of dollars to the outside. But in order to grow, an economy must be able to produce goods and services for sale to the outside world. Businesses that sell outside the community make up the community's export base.

Raw commodities such as minerals or agricultural products are one important source of exports for many rural communities. However, the importance of raw commodities as a percentage of the economy is far lower today than in the past, and it has been declining for decades. This means rural communities can no longer rely on commodities alone to earn their livelihoods. Other exports--such as manufactured goods or services like tourism that bring in outside dollars--are more and more important.

Rural communities should consider several approaches. One is to "add value" to local commodities by processing as much as possible locally. Instead of shipping raw agricultural commodities to regional markets for processing, local processing plants could be established. Communities can consider ways to encourage residents to "buy locally." Another approach is to build on the community's desirability as a place to live, in order to attract businesses that use modern telecommunications to conduct their business and that can operate from anywhere. Yet another is to encourage tourism and build ways to capture some of the dollars from people passing through town.

### ***Share Services Regionally***

As communities shrink and the demand rises for high-quality services such as education, and health care, many communities find that they are too small to support all the services their citizens desire. Significant improvements in service quality as well as reductions in service cost may be obtainable through cooperation among several towns or counties.

Regional cooperation is seldom easy to start, however. Often, rivalries between local towns are longstanding. Still, improvements in telecommunications make it possible to provide many services--such as medical care and education--over wider areas. Not only can regional cooperation make communities more attractive for new businesses, but it can remove some of the reasons why citizens move away in the first place. There are few rural areas that cannot benefit significantly by thinking more regionally about how they define themselves as "communities."

### ***Target High-Value Products***

Increasing the number of jobs is one important goal for any community faced with population loss, but it should not be the only objective; the amount of income from sales is at least as important, if not more so. Why is this the case? Low-wage jobs are often easier to attract to rural communities because living costs are lower. But low-wage jobs bring minimal income into a community. And because they are often highly cost-sensitive, the community risks losing them to overseas locations where wages and other production costs are even lower.

A better development strategy is to focus on high-value goods and services. Not only do high-value industries bring more dollars into the community, but they usually depend on unique local assets--such as a business owner committed to the community, special-

ized skills in the workforce, or the availability of high-quality local resources--that are difficult to replicate elsewhere. Jobs in these businesses are likely to be more stable as well as lucrative.

Many high-value products are produced for specialized or "niche" markets. High-value goods and services are characterized by high quality and specialized use. Often, they are produced for very limited or rapidly changing markets. Manufacturers of medical equipment or musical instruments and providers of knowledge-based services are examples. Frequently, these businesses rely on access to specialized market information to keep abreast of trends among their customers and competitors. Communities can make themselves attractive to these businesses by investing in the things they need: an educated workforce, telecommunications, a desirable living environment, and a willingness to support risk-taking within the community. In some cases, a multi-community strategy that links producers of high-value goods with suppliers of the inputs they require can bring development on an even larger scale.

Although other strategies may be equally important, each of these merits consideration by communities struggling to reverse population losses or to bridge their separation from urban economies.

## **Resources**

- Kayce Donoho, *Money Drain in Your Community*, CD Technote No. 6, December 1996. Available at <http://www.rurdev.usda.gov/ocd/tn/tn6.pdf>.
- Edward J. Feser and Stuart H. Sweeney, *Out-migration, Population Decline, and Regional Economic Distress*. Washington: U.S. Department of Commerce, Economic Development Administration, December 1998. Available at <http://www.doc.gov/eda>.

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